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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

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Abstract

This study examines benefits (and losses) from the rent control law in Metro Manila. The results show that net benefits from rent control are positive and targets mainly the poor families. However, benefits have negligible effects on income. They also tend to be eroded by the regressive effects of rent control on supply of rental housing, in particular, the strict eviction provisions of the law. Stiff competition for low-priced rental housing, low quality of housing for the poor, higher rents for the uncontrolled sector, and misallocation of resources are the possible effects of rent control on housing. It is recommended that government find other alternative schemes to the rent control law. Possible schemes include the provision of rental allowances to the poor; provision of low-cost financing to landlords, including those who are into self-help housing; and rent of government land on leasehold basis to developers interested to go into rental housing.

I

Introduction

Whenever the rent control law comes up for evaluation and possible modification, public debates on the subject arise. Similar issues have also been raised in other parts of the globe: What benefits can be derived from rent control? Who gains or loses from rent control? Does rent control causes homelessness?

In 2001, the implementation of the 1985 Rent Control Act was further extended amid uncertainties on the benefits of the law. The extension expanded coverage of the law to residential units with monthly rents of P7,500 in highly urbanized cities and P4,000 in other areas. It also included boarding houses, dormitories, room, and bedspaces.[1] On the other hand, the maximum allowable annual increase in rent was reduced from the previous 20 and 15 percent to only 10 percent.

About 60 countries, including the Philippines, have a rent control law. Studies, both theoretical and empirical, on rent control noted that the desirability of rent controls cannot be decided on an *a priori* basis but should be evaluated based on empirical evidence and on a case-by-case basis. This assertion has been raised, particularly on recent forms of rent control, or "second generation" controls, which provide "soft" but complex provisions on rental price increases, maintenance, and tenant eviction.

Historically, rent control was imposed during World Wars I and II as well as during the interwar years to provide relief from the economic or political shocks that followed those periods. The appropriateness of imposing controls in wartime seems to be undisputed. The belief is that the return of soldiers would cause a rapid and disruptive rise in rents since there is little private-initiated

[1]Republic Act 9161 of July 2001 took effect on January 7, 2002. The Act provided amendments to the Rent Control Act of 1985.

housing construction in those years (Lett 1976). The imposition of rent control thus would entail little efficiency loss.

Many governments have restated rent control in recent years.[2] Although often advocated as a means of price control, rent control has become a mechanism to ensure housing affordability. It is imposed to keep local rents from rising to prohibitive levels. In many developing countries, for instance, the combination of increased demand from rapid urbanization along with falling real incomes and general inelasticity of housing supply have been the rationale for creating rent controls (Malpezzi and Ball 1991).

Oppositions to rent control, especially among economists, have been many (Alston, Kearl and Vaughan 1992). The contention is that rent controls discourage new construction, cause abandonment, retard maintenance, and reduce mobility, among others. These oppositions, however, have been mainly based on the earlier forms of rent control, or "first generation" controls, where rents are frozen at nominal levels or are subjected to intermittent adjustments at rates lower than inflation. The "second generation" controls, which came about in the 1970s, involve not only allowable rent increases indexed to inflation or construction costs but also cost pass-through provisions, which permit landlords to apply for rent increases above the regulated rent increase if justified by cost increases, hardship provisions, and rate-of-return provisions. Rent adjustment may also be done by arbitration between concerned parties. Moreover, such controls permit vacancy decontrol, whereby the unit becomes completely decontrolled when it is vacated (full decontrol) or place no restrictions on intertenancy rent increases (see Appendix 1 for the rent control schemes employed in different countries).

The second-generation rent control schemes are very different from a rent freeze. The analysis of these controls goes beyond the simple tariff assumption that "a ceiling on rents reduces the quantity and quality of housing available." It is thus difficult to generalize due to the variety of schemes available and recent perspectives showing revisionism in rent control. The usual arguments against

[2]Most jurisdictions in the United States and Canada removed controls in the postwar years but reintroduced controls around the 1970s. On the other hand, Europe and its colonies adopted a postwar goal of guaranteeing housing to all individuals, thus maintained controls even after the postwar years.

rent controls are being qualified and there is a growing acceptability that a well-designed rent control program can be beneficial (Arnott 1995).

This paper aims to assess the adoption of rent control law in the Philippines. In particular, it provides some measures on the extent of rent control and the magnitude and distribution of benefits (or losses) that can be derived from the rent control law. The analysis of benefits (or losses) focuses on Metro Manila for tractability of data and applicability of model.

The discussion proceeds with a description of the rent control legislation in the Philippines, the design of the controls in comparison with other countries and the extent to which rent control has been enforced in the country. The third section discusses the methodology of measuring the benefits (losses) of rent control. The methodology is largely based on Olsen (1972) and Gyourko and Linneman (1989). The fourth section describes the controlled and uncontrolled rental sectors in Metro Manila based on survey data. The fifth section presents the results on net benefits and the distribution of benefits among renter households. The last section presents the conclusions and policy implications of the study.

II

The Institution of Rent Control in the Philippines

The Philippines, which was under the American colonial influence between 1901 and 1946, followed the path taken by the United States in the legislation of rent control. Rent control was imposed during the rehabilitation period following World War II and later removed during the postwar years. Rent control was again implemented in the 1970s, but unlike other developed countries, which moved into "soft" rent controls, the Philippines maintained a freeze on nominal housing rents. (A summary of rent control laws is provided in Appendix 2.) No increase on monthly rental was imposed on residential housing units or on land with a monthly rental of P300 and below (Republic Act 6126). This rent control was initially implemented for two years but later extended to 1979 (Presidential Decree No. 20). Towards mid-1979, PD 20 was amended to allow for a 10 percent yearly increase in rent (*Batas Pambansa* 25).

The reimposition of rent control in 1970s coincided with the era of land reform. Then President Marcos imposed martial law to pave the way for the implementation of his administration's "New Society" program. Among the package of policy reforms undertaken was a land reform program on both agriculture and urban lands. The Urban Land Reform Act (PD 1517 of 1978) froze not only rents but also land prices in identified urban land reform sites. The provision of an urban land reform was based on the premise that land and profits from land resources should be distributed to a greater segment of the population. However, the freeze on land prices was not tenable, resulting in its discontinuance in the early 1980s. Likewise, a freeze on rents was found to discourage investors in lower-cost rental housing (NEDA 1984). Thus the adoption of "second-generation" rents in the 1980s provided relaxation of rent controls and also accomplished some political objectives.

The "second generation" rent controls (i.e., similar to those put forward in developed countries) were adopted in the country in 1985. The "New" Rent Control Act (*Batas Pambansa* 877) initially took effect for a period of three years and was extended through a series of legal amendments to the present. This Act provided for yearly rent adjustment that approximated the average inflation in the country. The rental cap differs every year based on allowable increases, which effectively expanded the yearly coverage of the law. (The corresponding schedule of rent ceilings and maximum increases are provided in Table 1.)

From an initial rent of P480 per month in 1985, the coverage of rent control has expanded to include rental units priced at P8,232 in 2001. The rental increases have practically covered middle-income

Table 1. Schedule of rent ceiling and maximum rental increases

Legislation	Year	Rent ceiling (P)	Maximum increase %
BP 877	Beginning Rent	480	10
	July-Dec. 1985	528	20
	1986	634	20
	1987	761	
RA 6643 (Extends BP 877	1988	912	20
up to 31 Dec. 1989)	1989	1,095	20
RA 6828 (Extends RA 6643	1990	1,314	20
up to 31 December 1992)	1991	1,533	20
	1992	1,752	20
RA 7644 (Extends RA 6878	1993	2,270	20
up to 31 December 1997)	1994	2,724	20
	1995	3,269	20
	1996	3,923	20
	1997	4,707	20
RA 8437 (Extends RA 7644	1998	5,431	15
to December 31, 2001)	1999	6,225	15
	2000	7,158	15
	2001	8,232	15
RA 9161 (An Act Establishing	2002[a]	7,500	10
Reforms of Rental of Certain	2003	8,250	10
Residential Units)	2004	9,075	10

[a]Maximum rent covered for highly urbanized cities (e.g., Metro Manila); other areas P4,000.

rental housing. While the 2002 extension of the rent control law reduced the coverage to rental units priced at P7,500 per month, this amount is still much higher than that of rental units being leased by poor households.

Aside from the allowable increases in rent, the "new" rent control law provides no restrictions on intertenancy rent adjustments. Landlords can freely choose a nominal rent when taking on a new tenant. Payment of advance rents is limited to one-month deposit with no advance on rent. However, under the recently approved law, landlords can ask for a one-month advance and a two-month deposit. The law is silent on maintenance costs but provides control for eviction of sitting tenants.

How does the Philippines fare with other countries? Given various second-generation rent control arrangements worldwide, the degree of controls is expected to vary from one nation to another. Malpezzi and Ball (1991) constructed an index to measure the extent of rent controls across countries. This index is based on 10 elements of control, of which nine are qualitative measures while the final element is a measure of average inflation rate. Each qualitative element has a scale of 0 to 2, with a higher scale implying strict controls. The total index has values that range from 0 to 21. Countries with no controls receive a rating of 0. Average index value of 0 to 5 is classified as "weak controls"; index of 5 to 13 as "moderate controls"; and index greater than 13 as "strict control". We applied the above methodology to the Philippines.

The Philippine index of rent control shows moderate controls (Table 2). In terms of enforcement, Philippine rent control is weak because monitoring is poor. There is no regulatory agency for rent control and complaints are coursed through the regular courts. However, the strict control over judicial ejectment and the high proportion of rental housing under rent control (i.e., controls also include newly constructed units) increase the degree of control. Prior to the passage of the rent control law, expiration of lease agreements without conditions was allowed (Civil Code Art. 1673). This ground for ejectment applied to both written and verbal leases. However, with the enactment of the rent control act, this provision of the Civil Code was suspended for rental units covered by BP 877. Expiration of lease contract independent of the other provisions of BP 877 was

not a valid ground for judicial ejectment. This move had essentially limited private contracting.

Malpezzi and Ball measured the index for 51 countries of which 14 countries have an index 0 to 5; 27 countries have ratings of "moderate controls" (5 to 13); and 10 countries have ratings of "strict controls" (greater than 13). The degree of control has weak correlation with per capita GNP, inflation rate, and the proportion of urban renters. However, countries in the lowest per capita income bracket (GNP per capita of about $370) tend to have stricter controls.

Table 2. Index of the degree of rent control in the Philippines

Elements of rent control	Scale/Standards	Philippine score
Enforcement	0 = controls not or rarely enforced 1 = selective or partial enforcement 2 = strict enforcement	0; controls are mainly enforced through judicial proceedings; monitoring is poor
Coverage[a]	0 = restricted to a very small part of the market 1 = covers a significant part of the market 2 = more than half of the market	2; the rent control sector covers about 90 percent of rental housing (incl. informal dwellings) (APIS 98)
Setting of fair rents (Initial rent)	0 = do not set fair rents 1 = some units covered or no info 2 = stringent rent setting	0; initial rent not covered by controls
Indexation	0 = rents indexed and closely tied to inflation 1 = partially indexed or no info 2 = rents frozen or rarely revalued	0; index closely tied to inflation
Cost pass-through	0 = if upgrading, maintenance and tax increases are often pass thru tenants 1 = some items pass through or no info 2 = if no or little pass thru	1; maintenance is mainly lessor responsibility (CC 1654); upgrading (cost pass thru new rentals); tax increases (no info)
Treatment of new construction	0 = newly constructed units exempted 1 = newly constructed units have a temporary exemption or some other differential treatment or no info	2; under RA 9161 temporary exemption of new construction has been suspended

Table 2 (continued)

Elements of rent control	Scale/Standards	Philippine score
	2 = new construction are controlled	
Rents reset on new tenancy	0 = rents reset to market on new tenancy 1 = revalued but below market or no information 2 = if no change	0; no restrictions is placed on intertenancy rent increases, (i.e., when the place is vacated the landlord may provide a new rate on a new tenant)
Tenure security	0 = tenure security more or less covered b private agreement (leases) and normal grounds for eviction 1 = more stringent security of tenure or no information 2 = strict security of tenure	2; tenure security not covered by private agreements; grounds for ejectment are strict
Inflation index	Average annual inflation index (1985-2001). 1= ave. inflation of 10; if 15 = 1.5	1
Total index		**8 (moderate control)**

*Index for the Philippines based on author's judgment.
**A limitation of the index is that it does not cover all potential elements of control (e.g., key money). Neither does it account for possible alleviating effects of other schemes (e.g., rent to own) on the degree of controls. Nevertheless, the index suggests some interesting hypothesis.
[a]The World Bank and UNCHS Housing Indicators Study measured the extent of rent control in the Philippines using coverage as indicator. The study estimated that 69 percent of rental housing units are covered by rent control. This measure counted both formal and informal rental housing (in 1990 rent ceiling was pegged at P1,314).

Source: Stephen Malpezzi and Gwendolyn Ball. 1991. Rent Control in Developing Countries. *World Bank Discussion Paper No. 129*.

Table 3: Distribution of countries by extent of rent control

Index value	Number of countries	Percentage distribution*	Average GNP per capita ($)	Inflation	% Urban renters
> 13 (strict control)	10	20	370	10.2	32
5 to 13 (moderate control)	27	52	4,860	8.3	40
0 to 5 (weak/no control)	14	28	1,530	13.4	37

*Based on 51 countries.

Source: Malpezzi 1991, p. 26.

III

Methodology

Rent control is a form of income transfer that arises because tenants in rent-controlled dwellings pay lower rents than what they would otherwise pay in the absence of a rent control. The magnitude of this benefit (or income transfer) has been measured as the difference between the actual rent paid on the unit and the market rent of the same unit (Olsen 1972). Previous studies used survey data to obtain the actual rent of a unit. When available in survey, perceived market rent by households is used as an estimate of imputed market rent. However, a more common method of estimating imputed market rent is the hedonic price index. This index is estimated using various characteristics of housing units (e.g., floor area, number of rooms, age of structure, type of toilet facility, etc.). It assumes that a controlled unit will rent on the uncontrolled market for the average of the uncontrolled units with the same characteristics. Corollary, it assumes that the household in the controlled sector will consume the same quantity of housing services as that consumed by similar types of households in the uncontrolled market. If this were not so, then the measurement of benefits would be understated or overstated. However, since the analysis will focus more on the distributional effects rather than the amount of government subsidy, the possibility of the amount being less or more is not a serious problem.

The magnitudes of benefits may also be affected when one considers the possible effect of a rent control in the uncontrolled sector. Fallis and Smith (1984) noted that the pressure brought about by the rent control impacts on rents in the uncontrolled sector. In the case of Los Angeles, while rent control constrained rents in the controlled sector (by about 10 percentage points), it enabled larger rent increases on decontrolled units (about twice higher) than what would have occurred in the absence of rent control. Thus this

methodology may not accurately measure the amount of benefits but simply identifies differential benefits across families obtaining controlled units compared to those residing in the uncontrolled units.

The set of housing characteristics used for hedonic estimation varies from one study to another usually depending on the availability of data. Olsen (1972), for instance, used number of bedrooms, condition of the building, location, and presence of elevator as variables for his analysis of rent control in New York. Struyk's (1988) study of rent control in Jordan employed the type of wall material, year of construction, number of floors, persons per room, and location as dwelling variables.

In this study, we focused on three major dwelling characteristics, namely, floor area, location and type of water connections/facilities given limited data and limited sample size. We computed the renter's annual benefit from rent controls as follows:

$$\text{Net Benefit} = P_m Q_m - P_c Q_c + P_m Q_m (\ln P_m Q_c - \ln P_m Q_m)$$

where

P_m = price per unit of housing services for uncontrolled units

Q_m = quantity of services consumed by HH in an uncontrolled unit

$P_m Q_m$ = market rent for the unit selected without rent control

P_c = price per unit of housing services for controlled units

Q_c = quantity of services consumed by HH in a controlled unit

$P_c Q_c$ = rent for the unit selected with rent control

ln = natural logarithm

$P_m Q_m - P_c Q_c$ = benefit accruing from to the tenant as a result of living in the rent-controlled unit

$P_m Q_m (\ln P_m Q_c - \ln P_m Q_m)$ = change in housing consumption resulting from living in the controlled unit valued at market prices. This term may increase or decrease tenant benefits, depending on whether $Q_c > Q_m$ or $Q_c < Q_m$. If the lessor cuts back on maintenance and other services, $Q_c < Q_m$ and the benefit to tenant is decreased.

The benefit calculation is derived using renter households drawn from the 1998 Annual Poverty Incidence Survey (APIS), a family and income expenditure survey of 40,000 households for the entire Philippines.[3] We focused the analysis only on the National Capital Region (NCR) for model tractability. Since rent control mainly targets housing units under normal lease arrangements, we excluded from the sample households under other rental arrangements (i.e., rent lots only, rent-free with consent or without consent of owners). The sample thus consists of owner-occupiers or amortizing owners and renters of housing. The renter households are those occupying single houses, duplex, apartments, accessoria (row houses), condominiums, and townhouses.

It should be noted that the APIS renter data do not distinguish between renters in the formal and informal sectors. It is thus possible that the renter household surveyed is occupying a rental unit in an informal housing settlement. Moreover, it is difficult to distinguish formal from informal rental housing, since most landlords in the country, specifically those covered by rent control, do not register rental business.

From 3,947 households surveyed in NCR, 3,033 (76.8 percent) were classified either as renters or owner-occupiers. About 32.6 percent of the 3,033 households surveyed were renters. These renter-households were further categorized into rent-controlled and uncontrolled sector based on the actual rent paid for the housing unit. The rent control law defines rent-controlled units as having monthly rents of less than, or equal to, a maximum ceiling that varies per year. In 1998, this ceiling was pegged at about P5,400. However, since rental contracts do not necessarily start at the beginning of the year, we used the 1997 ceiling of P4,700 as the cut-off rental price for those in the controlled sector.[4] Based on the above groupings, the NCR data contain 963 usable observations for renters in the

[3]The APIS covers the same scope and sampling frame as the Family Income and Expenditure Survey (FIES). It started in 1998 and since then has been conducted in those years when no FIES was carried out. The APIS has been chosen over the FIES, since the former contains some relevant housing characteristics not found in the latter.

[4]Even at a ceiling of P5,400, results will not differ, since rental prices in the uncontrolled sector range from P6,000 to P50,000.

controlled sector, 27 usable observations for renters in the uncontrolled sector, and 2,043 usable observations for owner-occupants.

IV

Features of the Rental Sector in Metro Manila

Table 4 provides an overview of the characteristics of households in the controlled sector vis-à-vis the uncontrolled sector and the owner-occupiers. On the average, the actual monthly rents in the controlled sector are way below those of the uncontrolled sector (P1,022 vs. P13,538) while imputed rents by owner-occupied households are closer to those of the controlled sector. A wide socioeconomic gap is apparent between households in the controlled sector and those occupying rental units in the uncontrolled sector. Households occupying the uncontrolled sector are mainly high-income families with an average annual income of P1.17 million. Comparatively, households in the controlled units and owner-occupiers have an average annual income of P185,614 and P 274,364, respectively.

Table 4. Characteristics of households in controlled and uncontrolled sectors

	All observations	Controlled	Uncontrolled	Owner-occupiers
Number of observations	3,033	963	27	2,043
Average monthly rent (1998)	1,833.66	1,022.80	13,538.19	2,054.05
Average yearly income (1998)	254,779.94	185,614.27	1,177,965.93	274,363.94
Total expenditure (1998)	101,541.14	76,372.63	373,524.48	109,563.99
Average age of household head	45.79	39.75	47.83	48.6
Average family household size	5.04	4.73	3.79	5.2
Marital status				
% married	93.67	89.20	92.59	95.79
% single	6.33	10.80	7.41	4.21
Sex of household head				
% female	22.63	19.83	22.22	23.95
% male	77.37	80.17	77.78	76.05

Source: Annual Poverty Incidence Survey (APIS) 1998

In terms of dwelling conditions, households in the uncontrolled sector have better housing facilities than the controlled sector (Table 5). These households occupy larger spaces, with 85 percent of the units of size greater than 50 square meters. Housing units are also with individual water connection. In contrast, most (80 percent) housing units in the controlled sector have floor areas of less than 50 square meters. Moreover, water facilities are mainly shared or sourced from wells or peddlers. The owner-occupiers have only slightly better housing conditions than the households occupying controlled rental units. Except for a comparatively larger floor area for owner-occupiers, the other conditions of housing are similar. The type of building occupied by renters in the controlled market is either single-detached or apartment-type, row houses or condominiums. On the other hand, most households (67.7 percent) in the uncontrolled sector occupy single-detached houses. The location of the housing units also reflects the rental prices. Most (89 percent) of the housing units in the uncontrolled sector are located at the inner core of NCR (Manila, Makati, Quezon City, Pasig, etc.). On the other hand, about 53 percent of housing units in the controlled sector and owner-occupiers are located at the outer core of NCR (Muntinlupa, Marikina, Valenzuela, Taguig/Pateros, Navotas, Malabon).

Households in the rent-controlled sector are distributed across all income deciles with actual rents directly proportional to income (Table 6). About 44 percent of households in this sector are from poor families (first to fourth deciles). On the other hand, 67 percent of households in the uncontrolled sector belong to the tenth decile.

It is evident that a large gap exists between housing available for the poor and low-income households and rental housing occupied by the high-income group. Distinct differences in demand and investment conditions are apparent between the two rental markets.

Table 5. Characteristics of dwellings in controlled and uncontrolled sectors

	All observations	Controlled sector	Uncontrolled sector	Owner-occupiers
Location (%)*				
NCR1	32.11	36.66	67.74	29.52
NCR2	13.12	10.28	22.58	14.34
NCR3	15.83	21.91	6.45	13.07
NCR4	24.40	20.35	3.23	26.58
NCR5	14.54	10.80	-	16.50
Floor area (in sq. m.)				
< or + 29	36.30	54.93	-	28.00
30-49	25.91	24.92	14.81	26.53
50-89	21.25	14.18	40.74	24.28
90-149	8.68	5.09	14.81	10.28
150 and over	7.88	0.83	29.63	10.91
Wall material (%)				
Strong	91.62	93.98	100	90.41
Light	6.70	4.67	-	7.73
Makeshift	1.68	1.35	-	1.86
Toilet facility (%)				
Water-sealed	90.73	92.42	96.77	89.87
Closed-pit	4.55	2.91	3.70	5.34
Open-pit	0.36	0.62	-	0.24
Others (e.g., pail system)	3.53	2.80	-	3.92
None	0.82	1.25	-	0.64
Water facility (%)				
Faucet, individual water connection	50.48	45.38	92.59	52.28
Shared, water connection	21.21	29.60	3.70	17.47
Own use, tubed/piped well	7.26	2.49	-	9.59
Shared, tubed/piped well	6.10	8.10	-	5.24
Dug well	1.25	1.25	-	1.32
Spring, river, stream, etc.	0.03	-	-	0.05
Rain	-	-	-	-
Peddler	13.30	12.88	3.70	13.66
Others	0.36	0.31	-	0.39
Type of building				
Single house	69.15	42.68	70.37	81.64
Duplex	7.35	7.48	7.41	7.24
Apartment/accessoria/ condominium/townhouse	23.50	49.84	22.22	11.11

*NCR1: Manila, Quezon City, Makati; NCR2: San Juan, Mandaluyong, Pasig; NCR3: Muntinlupa, Parañaque, Pasay; NCR4: Marikina, Caloocan, Valenzuela, Las Piñas; NCR5: Malabon, Navotas, Taguig/Pateros

Source: Survey of households, APIS 1998

Table 6. Distribution of renter-household by income decile and rent

Income decile	Controlled		Uncontrolled	
	Average actual monthly rent	% of renter-households	Average actual monthly rent	% of renter-households
First decile	454.39	10.5	-	-
Second decile	540.29	12.8	-	-
Third decile	734.21	11.7	-	-
Fourth decile	846.35	9.2	-	-
Fifth decile	1,000.65	10.9	7,500.00	1.3
Sixth decile	1,185.06	10.2	-	-
Seventh decile	1,208.85	10.2	5,409.89	5.1
Eighth decile	1,547.97	9.3	5,596.04	16.7
Ninth decile	1,856.33	9.6	6,160.85	9.6
Tenth decile	2,316.49	5.5	15,664.37	67.3

V

Net Benefits and Distributional Effects of Rent Control

In measuring the net benefits, we provided an adjustment factor for the structural difference between those in the controlled and the uncontrolled sectors by including a dummy variable in the estimation of market price. The dummies were found significant (Appendix 2), satisfying the hypothesis that $r_u - r_c > 0$, where r_u is the rent for the uncontrolled unit and r_c is the rent for the controlled unit. Effectively, this resulted in two sets of predicted market price for the controlled sector.

Market price was computed for two data sets: *one*, renters data only and *two*, renters and owner-occupiers data.[5] Between these two data sets, the latter provides a closer estimate, as it approximates the characteristics of households in the controlled sector. An underlying assumption of the model is that the housing consumption patterns of those in the controlled and uncontrolled sectors are similar.

The estimates show that on the average tenants occupying rent-controlled units obtain positive net benefits (Table 7). Using different predicted values of market price, annual net benefits range from P249 to P5,300 per unit. In proportion to household income, tenant benefits represent less than 1 percent of household income. The increase in household income due to rent control is from 0.33 percent to 0.70 percent.

To obtain further insights into the distribution of benefits among families, we regressed net benefit on a vector of personal characteristics of the tenants in the rent-controlled sector. Benefits

[5]The assumption in the former is that owners are also considered as "renters" in the uncontrolled sector. The rent is based on "imputed rents," as indicated by owner-occupiers in the survey.

Table 7. Benefit summary statistics

	Renters		Renters + Owners	
	Dummy = uncontrolled	Dummy = controlled	Dummy = uncontrolled	Dummy = controlled
Mean benefit	5,300.02	249.03	739.70	343.15
Standard deviation	1,042.42	734.93	895.06	809.27
Standard error	33.66	23.73	28.90	26.13
Mean benefit share in family income (%)	4.14	0.33	0.70	0.38

are strongly correlated with household income. The negative relationship between household income and benefits shows that the benefits from rent control decreases with income (Income1) at an increasing rate (Income2) (Table 8). This suggests that poorer families receive larger benefits than richer families. The rent control law is apparently targeting the poor.

The other socioeconomic variables show that larger households receive greater benefits than smaller families. In terms of age, benefits increase as the household head grows older but reaches a threshold point whereby benefits decline with age. The results from these variables are, however, insignificant, indicating that the effects are random.

Benefit targeting is further shown in the distribution of benefits by income deciles (Table 9). Net benefits to tenants in the controlled sector increases up to the fourth deciles. About 45 percent of tenants in the rent-controlled sector belong to these deciles. From the fourth deciles, net benefits decline at an increasing rate and households in the ninth and ten deciles experience losses. This suggests that those households in the ninth and tenth deciles are subsidizing the lower-income deciles. Thus, while rent control may have provided lower rental prices to the low-income households, it is possible that it has also resulted in higher prices for middle- and high- income rental housing than what would have occurred in the absence of rent control.[6]

[6]The pressure brought about by rent control can impact on the uncontrolled sector through higher prices (Fallis and Smith 1985).

Table 8. Benefit targeting

Independent variables	Renter + Owner (Dummy variable = 0)				Renter + Owner (Dummy variable = 0)			
	B = +(Y, Y2)	t-stat	B = +(all variables)	t-stat	B = +(Y, Y2)	t-stat	B = +(all variables)	t-stat
Intercept	1072.6031	28.4116	1056.4394	4.6300	718.7870	36.6622	695.4868	3.1377
Income 1	-0.0015	-7.9096	-0.0016	-7.7172	-0.0020	0.0002	-0.0020	-10.0248
Income 2	-6.38E-10	-7.7055	-6.29E-10	-7.4779	-2.01E-10	8.05E-11	-1.92E-10	-2.3468
HHSize1			-43.0709	-1.1910			-39.5949	-1.1271
HHSize2			4.6872	1.5985			4.4202	1.5518
Age1			10.3499	0.9279			9.0347	0.8338
Age2			-0.1451	-1.1845			-0.1334	-1.1207
Mstatus			-72.5812	-0.9313			-39.1106	-0.5166
R2	0.438		0.4580		0.352			

Table 9. Benefit by income deciles

Income decile	Dummy=0 (Uncontrolled)		Dummy=1 (Controlled)		% of renter
	Mean benefit	Mean benefit share in family income (%)	Mean benefit	Mean benefit share in family income (%)	households in controlled sector
First decile	776.92	1.5	485.19	0.9	11.1
Second decile	900.89	1.2	558.59	0.7	13.2
Third decile	877.10	0.9	504.81	0.5	11.6
Fourth decile	908.12	0.8	504.45	0.4	9.7
Fifth decile	875.63	0.6	444.36	0.3	11.7
Sixth decile	858.07	0.5	407.42	0.2	10.2
Seventh decile	934.43	0.4	462.44	0.2	10.2
Eight decile	739.72	0.3	245.86	0.1	8.9
Ninth decile	462.87	0.1	(36.33)	(0.0)	8.8
Tenth decile	(898.30)	(0.0)	(1,084.64)	(0.1)	4.7
Average	739.70	0.7	343.15	0.4	100

We further examined the distributional effects of rent control on income by comparing frequency distribution of actual family income of residents in Metro Manila and benefit-adjusted family income.[7] The adjustment is such that it has the same mean as the distribution of actual family income. The assumption here is that

[7]This is computed as family income plus the difference between the individual rent control benefit (or loss) and the sample mean rent control benefit. Since this analysis deals with a single period in time, the net present values of the implicit subsidy are not computed.

rent control provides an income transfer to some families and "loss" to others, thus affecting income distribution among residents in Metro Manila. If the net benefits of rent control are significant, an improvement in the distribution of income is expected. Table 10 shows no significant improvement in the distribution of incomes, specifically among the lowest-income groups. For example, the cumulative distribution of incomes for households with annual incomes less than P40, 000 rarely differed under the benefit-adjusted income. Beyond that income level, we find that the cumulative distribution of incomes has improved although the difference rarely differed by 1 percentage point and thus has only a minor impact on equalizing income distribution.

Benefit (or loss)-adjusted incomes have also been provided for all renters and owners, the results of which show insignificant improvements on income (Table 11). If we assume that landlords are, on the average, in relatively higher-income brackets than the benefit recipients and that all landlords are city residents (i.e., only intracity transfers occur), then tenant gains equal landlord losses. The results, however, show that even among higher-income households there is no significant change in income. This indicates that there are no major transfers of income from landlords to tenants. It is difficult to accurately account for the loss side of rent control,

Table 10. Cumulative frequency distribution, households in rent-controlled sector

Income category	Actual family income (%)	Benefit-adjusted family income (%) (dummy=uncontrolled)	Benefit-adjusted family income (%) (dummy=controlled)
Under 10,000	0.00	0.00	0.00
10,000-19,999	0.10	0.10	0.10
20,000-29,999	0.81	0.83	0.83
30,000-39,999	1.52	1.56	1.56
40,000-49,999	3.24	3.44	3.34
50,000-59,999	6.37	6.57	6.46
60,000-79,999	18.59	19.29	19.29
80,000-99,999	30.41	31.49	31.49
100,000-149,999	53.44	55.57	55.27
150,000-249,999	78.79	80.81	80.81
250,000-499,999	95.05	96.35	96.35
500,000 and over	100.00	100.00	100.00

particularly among landlords for lack of relevant data. However, empirical studies on rent control in different countries found very small transfers in aggregate from landlords to tenants, the major transfers being from tenants who move frequently to tenants who seldom move (Olsen 1990).

Table 11. Cumulative frequency distribution, all renters and owners*

Income category	Actual family income (%)	Benefit-adjusted family income (%) (dummy=uncontrolled)	Benefit-adjusted family income (%) (dummy=controlled)
Under 10,000	0.00	0.00	0.00
10,000-19,999	0.16	0.23	0.23
20,000-29,999	0.72	0.82	0.89
30,000-39,999	1.75	1.75	1.85
40,000-49,999	3.07	3.03	3.30
50,000-59,999	5.44	5.67	6.20
60,000-79,999	13.95	13.95	14.94
80,000-99,999	23.77	23.47	24.33
100,000-149,999	44.48	44.44	45.04
150,000-249,999	71.25	71.15	71.51
250,000-499,999	91.86	91.89	91.89
500,000 and over	100.00	100.00	100.00

*Based on renters and owners dataset.

VI

Conclusions and Policy Recommendations

The results of the study show that the net benefits that accrue from rent control are positive. In the case of Metro Manila, we find a large representation of low-income families in the rent-controlled units. Thus, many poor families benefit from rent control. The distribution of benefits also shows that rent control has been targeting the low-income group. Higher net benefits accrue to the lowest-income deciles. However, the benefits are negligible and thus have no significant effect on incomes.

On the other hand, there have been losses among middle- to high-income households (ninth to tenth deciles) due to rent control. These households have been subsidizing the lower income deciles. Thus, while rent control may have provided lower rental prices to the low-income households, it is possible that it has also created higher prices for middle- and high-income rental housing than what would have been possible in the absence of rent control.

The Philippine rent control law has provided relatively moderate controls, but the strict ejectment provisions can dissuade many owners from renting out their property. Investor confidence in rental housing is generally dampened by high and increasing property taxes; limited demand for "used" housing, which constrains financing for rental investments; and the possibility of being unable to capitalize on rising property values. In particular, the strict ejectment provisions of the rent control law inhibit the landlord to capitalize on rising property values. Judicial ejectment as the only recourse for settlement further increases transaction cost in evicting tenants.

The strict ejectment provisions not only limit supply but also encourage practices that are not beneficial to tenants. For instance, while payment of rental deposit is regulated, many landlords require advance rents and deposits beyond what the law requires. This

practice provides the landlord a means to distinguish the "bad" from the "good" tenants and being able to do so, lowers his transaction costs. However, this practice can screen out the poor and low-income families, who are unable to make the required advance payments.

Similarly, the eviction provision that requires the sitting tenant to have first preference to lease the same premises also has regressive effects. In particular, it discourages maintenance. Maintenance is largely the responsibility of the landlord. While the allowable rent increases may provide for minor repairs, there is no incentive for the landlord to provide improvements for the unit. The Philippine Civil Code permits the landlord to share cost of improvements with tenants or adjust rents based on costs of repairs. Yet it is not clear how such changes can be made—whether they require clearance from local authorities or have to be done through judicial proceedings.[8] In more developed countries, a rent control board has been set up to resolve complaints or grievances between lessor and lessee. Such organization is lacking in the country. Monitoring is poor and this can work to the disadvantage of both landlords and tenants. Given the different dimensions of "second-generation" rent, an efficient and effective monitoring system is necessary.

The potential regressive impact of rent control on rental investments erodes the benefits obtained by the poor. Competition for low-priced rental housing has become stiff. The limited supply of low-income rental housing excludes a significant number of low-income families from housing. In the absence of other low-cost housing alternatives, these families tend to obtain housing through unconventional arrangements (e.g., squatting). The expanding coverage of the law suggests that such problems are also evident in middle-income rental housing. The increase in the number of middle-income families in informal housing settlements may be due to the absence of reasonably priced rental housing in the market. Moreover, the disincentives provided by rent control on investments in low-cost rental housing imply that investors will find opportunities in high-income rental housing, where demand is

[8]Major repairs require a certification from authorities, who issue such a document only if the building is in dire need of repair (i.e., building is considered condemned).

largely dependent on the international market. Rent control thus also leads to misallocation of resources, because resources are poured into investments with high risk.

The disincentives on supply could also result in a declining quality of housing for the poor. We have, for instance, observed a large gap between dwellings in the rent-controlled and uncontrolled units. The quality of housing in the rent-controlled sector is significantly inferior to those in the uncontrolled sector. Likewise, there is a growing gap between housing available for the poor and low-income sector and housing for those who can rent apartments and houses.

Although rent control does lower rents, it restricts the supply of rental housing and erodes whatever benefits can be obtained from the law. Other forms of assistance to rental housing with less regressive effects should be considered. In particular, government should pursue a rental housing program. One scheme found effective in other countries is the provision of rental allowances for the poor (Malpezzi and Ball 1991). Government should have a balanced view of ownership and rental tenure. Rental supplements thus can be provided for the poor households, who rent rather than own.

Another scheme is to offer financial incentives to rental investors through low-cost development financing. An important question to ask is, Who invests in low-cost rental housing? Although we do not have an accurate data for the country, the pattern found in many Third World countries could be the same one obtained in the Philippines. Most landlords operate small while the relatively few large-scale landlords target the middle- and high-income sectors. Small-scale landlords are interested in generating income but few are profit maximizers (UNCHS 1993). They do not keep books in which to record their outgoings nor calculate the return on their investments. If this pattern is true, then rental housing supply can be stimulated by providing low-cost financing for small landowners who may not have sufficient capital to develop rental housing.

Where government owns the land, a possible incentive for development of rental housing is to sell or rent the land on a leasehold basis to the builders/developers who are interested to go into rental housing development.

The study has not been able to directly measure the "losses" perceived to accrue to landlords due to data limitation. More systematic data collection on the rental housing market is recommended to help in the monitoring and analysis of the sector.

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Appendix 1. Second generation rent policy in various countries

Country	Rent-price setting adjustment	Rent-price	Other provisions	Coverage
New York, USA	Established by the Rent Control Board	Determined by the Rent Control Board		Apartment buildings constructed prior to 1947 although some buildings for various reasons have been decontrolled.
India	Rents fixed at standard rates of six to 15 percent (depending on the State) of the cost of construction plus the value of the land.	Increases permitted only under the following: (a) every three to five years; (b) major repairs have been made; (c) major increase in local taxes.	Maintenance is the responsibility of the landlord but tenant is permitted to pay for them out of the rent. Eviction is possible on grounds of nonpayment of rent, misuse of premises, or need of the landlord to use premises for his/her own family needs.	Residential and nonresidential for most states.
Nigeria	Rents are fixed based on the quality of accommodation with rents based on a limit of less than 20 percent of household income. A list of 17 types of rents is published based on size, location, amenities, and construction materials.		Tenants can be evicted by a court order granted on the following grounds: (a) rent arrears of more than one month; (b) need for substantial repair; (c) premises are required by landlord; (d) misuse of property or tenant is a nuisance; (e) the accommodation is required for public purpose.	All states. The laws are based on general federal guidelines where precise provisions may vary from one state to another.
Egypt	Free	Raising rents allowed.	Sale of housing to tenants permitted. Tenant and owners share the costs of maintenance.	Rents for most kinds of housing except luxury and furnished apartments.
Philippines	Free	Regulated yearly increases, which approximates inflation rate.	Tenant may be evicted on the following grounds: (a) subleasing without consent of owner; (b) arrears in payment for three months; (c) legitimate need of owner to repossess property for his own given no available residential unit in the city/municipality;	Residential housing with monthly rents of P5,600 as of 2001. The ceiling increases based on the allowable yearly increases. (Not applicable to residential units newly constructed

Country	Rent-price setting adjustment	Rent-price	Other provisions	Coverage
			(d) expiration of lease contract; (e) need of the lessor to make necessary repairs. Silent on cost sharing arrangement for maintenance. Require one month advance payment and one month deposit.	or newly offered for rent during the effectivity of the Act.) (Section 7) (Not applicable to dormitories, bedspacers, room for rents.)
Toronto, Canada	Determined by the Residential Tenancy Commission.	One-rent increase in any 12-month period based on predeter-mined percentage increase by statute. Increases beyond what is required by the law is possible on the following grounds: (a) cost increases higher than allowed rental increase, (b) financial low associated with property, (c) capital expenditures warrant larger increase. The Residential Tenancy Commission decides on the issue.		All private rental units first rented prior to January 1976 with rents < $750 a month.
Belgium Profit rental sector	Free negotiations but within maximum level of rent set by government.	Free negotiations	Maintenance: lessors are responsible for major repairs, tenants for small/minor repairs, but may arrange on division of tasks.	All residential units.
Nonprofit rental sector	Rent price is percentage of updated cost price x income coefficient.	Rent price changes with cost price or income.	Termination: lease contract for an indefinite period possible to cancel unilaterally (grounds for termination not specified); for contract with definite period, termination is on expiry of contract, but contract can be automatically prolonged or be appealed for extension (depending on contract period).	

Country	Rent-price setting adjustment	Rent-price	Other provisions	Coverage
Denmark Profit sector Nonprofit	Cost-price rent or cost price rent + 8 percent Cost price minus rent subsidies.	Based on change of overall costs. Based on change of overall costs.	Maintenance: mostly under lessor's responsibility, tenant to equip the unit (but may arrange on division of duties). Termination: expiration of contract, if owner needs to occupy the dwelling, demolition, nonpayment of rent, misconduct, neglect of the dwelling by tenant.	All residential units.
France Profit and non-profit sector	Free negotiations	Rent-increase based on rent-price agreements	Maintenance: tenant is responsible for daily upkeep and maintenance, other repairs are at the expense of the lessor. Termination: upon expiry, contract is usually renewed for at least another three years (corporate lessors must offer at least a six-year lease contract, three to six years for private lessors); reasons for nonrenewal are: selling of the unit by the lessor, lessor's need of dwelling for personal use, nonfulfillment of obligations by the tenant (e.g., rent payment arrears, neglect of the dwelling).	All residential and commercial units
Germany, Federal Republic Profit sector Nonprofit sector	Free negotiations Cost price minus subsidies	Maximum increase is 30 percent over three years; adjustment may be made based on local comparisons. Based on changes in costs or subsidies.	Tenancy may be verbal or written; tenant required to pay a guarantee sum not to exceed three months' rent, which may be paid in three installments, with the accruing interest refunded to tenant upon departure. Maintenance: tenant does simple work (painting, papering) and	All residential units.

Country	Rent-price setting adjustment	Rent-price	Other provisions	Coverage
			can demand a decrease in rent price if lessor does not carry over his maintenance responsibilities; in case of improvements/ renovations, rent-price adjustments are allowed at 11 percent of the cost or rent price may be raised to the level of similar dwellings in the vicinity ("comparative rent system"). Termination (grounds): expiration of the contract, serious breach of contract by the tenant (repeated arrears, house rules disobedience), dwelling needed for lessor's personal/family use, if continuation of the contract constitutes a heavy financial burden for the lessor.	
Spain Profit sector	Free negotiations	Contracts before 1964: rent frozen; after 1964: free negotiations + maximum set by the government.	Lease contracts are for an indefinite period. Maintenance: lessor assumes all necessary maintenance work; 12	All residential units.
Nonprofit sector	Subsidized: Free negotiations + maximum 3 percent of construction costs.	Contracts before 1964: rent frozen; after 1964: free negotiations + maximum set by the government.	percent (maximum of 50 percent of the rent price) is charged to the tenant to cover costs. Termination: (grounds) lessor's need of the dwelling for personal/ family use, demolition to make way for a new building; dwelling remains unoccupied for more than half of the year; tenant has dwelling(s) in the same neighborhood, dwelling has become a slum.	
Sweden	Collective negotiations, between tenants' and	Local administration; collective negotiations	Key money is illegal. Maintenance: tenants	All residential units.

Country	Rent-price setting adjustment	Rent-price	Other provisions	Coverage
	lessors organization depending on use value.		may carry out minor maintenance work even without seeking the lessor's approval. Termination: forced termination in case of arrears in rent payment or misconduct, or other reasons considered by the Rent Tribunal as valid; if evacuation is needed for renovations or for lessor's personal use, tenant must be provided with comparable substitute housing.	
United Kingdom Profit sector	Free negotiations + maximum of fair rents	New fair rent determined by the "rent officer," no direct relation to cost.	Termination: eviction upon order by the court. Grounds: nonpayment of rent or nonfulfillment of the lease; nuisance to neighbors or use of dwelling for illegal purposes; damage to the dwelling and furnishings; fraudulent declarations in the lease agreement; (if decent substitute housing is available) dwelling is overcrowded; demolition; lessor (if institution) needs the dwelling for his/her use, dwelling is large for the tenant's household; if dwelling has been previously let for temporary or short; hold tenancy (e.g., holiday/student residence); subletting or transferring by tenant without lessor's consent; dwelling needed for personal/family/ employee use.	All residential units
Nonprofit sector	Municipal administrations	When municipal budget changes, no direct relation to cost.		

Sources of data: Malpezzi and Ball, 1991; UNCHS, 1993; UNCHS Economic Commission for Europe, 1990; Republic of the Philippines, Batas Pambansa Blg. 877: An Act Providing for the Stabilization and Regulation of rentals of Certain Residential Units and for Other Purposes.

Appendix 2. Rent control legislation in the Philippines, 1970-2001

Law	Title	Coverage	Period of effectivity	Main provisions
Republic Act (RA) No. 6126	An Act to regulate rentals of dwelling units or of land on which another's dwelling is located for one year and penalizing violations thereof.	Residential units with monthly rental below P300.	One year from March 31, 1970.	- No increase in the monthly rental agreed upon by the lessor/owner and lessee prior to the approval of the act. - Lessor cannot demand a deposit of any amount in excess of two months' rental in advance.
RA 6359	An Act to regulate rentals, for two years, of dwelling units or of land on which another's dwelling is located and penalizing violations thereof, and for other purposes.	Residential units with monthly rental below P300.	Two years from July 14, 1971.	- No increase in monthly rental on the first year, then an increase of not more than 10 percent on the second year. - Lessor cannot demand a deposit in excess of two months' rental in advance.
Presidential Decree No. 20	Amending certain provisions of RA 6359.	Residential units covered by RA 6359.	Starting October 1972-1979.	- No increase in the monthly rental as of the effectivity of RA 6359. - Lessor cannot demand a deposit in excess of two months' rental in advance.
Batas Pambansa (BP) Blg. 25	Amending certain provisions of PD 20.	Residential units covered by PD 20 starting April 1979 (5 years).		- 10 percent yearly increase in rent.
BP Blg. 877	An Act providing for the stabilization and regulation of rentals of certain residential units and for other purposes.	Residential units with total monthly rental below P480 (not applicable to residential units newly constructed or newly offered for rent during the effectivity of the Act).	July 1, 1985 to December 31, 1987.	Increase in rentals - Maximum of 10 percent on first period (July 1, 1985-Dec. 31, 1985) and 20 percent yearly (1986 and 1987). - Cumulative and compounded. Ejectment (grounds) - Subleasing without written consent of owner/lessor. - Arrears in payment for three months. - Legitimate need of owner or immediate family to repossess the property for own use given no other residential unit available. - Absolute ownership by the

Law	Title	Coverage	Period of effectivity	Main provisions
				lessee of another dwelling unit in the same city/ municipality which he may use as residence. - Need of the lessor to make necessary repairs of the dwelling unit pursuant to an existing order of condemnation by appropriate authorities. - Expiration of the lease contract. - Sale or mortgage of the dwelling unit (registered or not) does not entitle the lessor or his successor in interest to eject the lessee. - In case of a legitimate ejectment, owner should give lessee formal notice three months in advance. Subleasing - Allowed, provided a written consent from the lessor. - Rentals should not be higher than what is charged by the lessor. Payment - Rentals shall be paid in advance within the first five days of every current month or the beginning of the lease agreement unless the lease contract calls for a later date. - Lessor may demand a deposit equal to a month's rental.
RA 6643	An Act extending the effectivity of BP Blg. 877	Residential units covered by BP 877	January 1, 1988 to December 31, 1989	Increase in rentals - Maximum of 20 percent allowed each year, for the 2-year period. - Cumulative and compounded.
RA 6828	An Act extending the effectivity of BP Blg. 877 for another three years, amending	Residential units covered by BP 877	January 1, 1990 to December 31, 1992	Increase in rentals - Maximum of 20 percent allowed each year, for the 3-year period. - Basis for increase: actual

Law	Title	Coverage	Period of effectivity	Main provisions
	thereby Section 1 of RA 6643			monthly rental as of December 31, 1989. - Cumulative and compounded.
RA 7644	An Act further extending the rent control period for certain residential units, amending thereby, BP Blg. 877	Residential units covered by BP 877	January 1, 1993 to December 31, 1997	Increase in rentals - Maximum of 20 percent allowed each year, for the 5-year period. - Basis for increase: actual monthly rental as of December 31, 1992. - Cumulative and compounded.
RA 8437	An Act further extending the rent control period for certain residential units, amending thereby BP Blg. 877	Residential units covered by BP 877	January 1, 1998 to December 31, 2001	Increase in rentals - Maximum of 15 percent allowed each year, for the 4-year period. - Basis for increase: actual monthly rental as of December 31, 1997. - Cumulative and compounded.
RA 9161	An Act Establishing Reforms in the Regulation of Rentals of Certain Residential Units	Residential units covered by BP 877 plus boarding houses, dormitories, rooms, and bed spaces	January 1, 2001 to December 2004	Increase in rentals - Maximum of 10 percent yearly rental and deposit. - One month advance and two months deposit. Rent-to-own scheme - Lessor may engage in rent-to-own agreements. Judicial ejectment - Same as BP 877.

Appendix 3. Proportion of households in controlled/uncontrolled sector

Monthly rent	Single House	Duplex	Apartment/ accessoria/ condo/townhouse	Total
Renters				
Philippines				
(#)				
< = P4,700	507,152	69,992	334,226	911,370
> P4,700	12,670	419	4,583	17,672
All	519,822	70,411	338,809	929,042
(%)				
< = P4,700	97.6	99.4	98.6	98.1
> P4,700	2.4	0.6	1.4	1.9
All	100.0	100.0	100.0	100.0
NCR				
(#)				
< = P4,700	203,063	34,727	247,011	484,801
> P4,700	12,561	419	4,466	17,446
All	215,624	35,146	251,477	502,247
(%)				
< = P4,700	94.2	98.8	98.2	96.5
> P4,700	5.8	1.2	1.8	3.5
All	100.0	100.0	100.0	100.0
Renters and owners				
Philippines				
(#)				
< = P4,700	9,736,827	264,692	488,360	10,489,879
> P4,700	139,696	5,512	18,412	163,620
All	9,876,523	270,204	506,772	10,653,499
(%)				
< = P4,700	98.6	98.0	96.4	98.5
> P4,700	1.4	2.0	3.6	1.5
All	100.0	100.0	100.0	100.0
NCR				
(#)				
< = P4,700	949,471	103,946	361,769	1,415,186
> P4,700	94,444	4,518	16,432	115,394
All	1,043,915	108,464	378,201	1,530,580
(%)				
< = P4,700	91.0	95.8	95.7	92.5
> P4,700	9.0	4.2	4.3	7.5
All	100.0	100.0	100.0	100.0

Source: APIS 1998

Appendix 4. Results of predicted housing demand

	All Renters			Renters + Owners		
	Coefficient	t-stat	Probability	Coefficient	t-stat	Probability
Intercept	0.248	0.596	0.5512	-2.849	-15.560	0.0001
Income	0.672	21.710	0.0001	0.863	56.161	0.0001
Household size	-0.120	-2.873	0.0042	-0.328	-13.848	0.0001
Dummy variable	-1.418	-11.290	0.0001	-0.290	-11.634	0.0001
R^2	0.481			0.542		
Adjusted R^2	0.480			0.541		
Mean Predicted Housing Demand						
P_1 (uncontrolled)	3,439.30 (1,892.67)*			1,201.96 (934.35)		
P_2 (controlled)	832.99 (458.40)			899.38 (699.14)		

*Figures in parenthesis are standard deviation

Appendix 5. Results of Hedonic Regression

	All Renters			Renters + Owners		
	Coefficient	t-stat	Probability	Coefficient	t-stat	Probability
Intercept	9.091	45.344	0.0001	7.739	124.582	0.0001
Flr50	-0.990	-4.936	0.0001	-1.477	-30.645	0.0001
Flr90	-0.556	-2.735	0.0063	-1.035	-20.125	0.0001
Flr150	-0.092	-0.427	0.6694	-0.715	-11.638	0.0001
NCR1	0.336	5.879	0.0001	0.351	7.487	0.0001
NCR2	0.183	1.943	0.0523	0.317	5.555	0.0001
NCR3	0.133	1.775	0.0761	0.288	5.197	0.0001
NCR4				0.148	3.048	0.0023
OWNFAUC				0.574	21.095	0.0001
Dummy variable	-1.744	-12.973	0.0001	-0.242	-8.295	0.0001
R^2	0.353			0.455	0.455	
Adjusted R^2	0.348			0.454	0.454	
Mean Predicted Rent						
P_1 (uncontrolled)	8,877.24			2,298.74		
P_2 (controlled)	1,553.71			1,805.19		